PUBLIC DOCUMENT

January 4, 2002

Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the United States Trade Representative
600 Seventeenth Street, N.W.
Washington, DC 20508

Re: **Public Comments on Potential Action Under Section 203 of the Trade Act of 1974 With Regards to Imports of Certain Steel:** ***Comments on What Action the President Should Take Under Section 203 of the Trade Act of 1974, as Amended, With Regard to Imports of Carbon and Alloy Welded Tubular Products and Carbon and Alloy Fittings and Flanges***

Dear Ms. Blue:

Pursuant to the Notice of Request for Comments (66 Fed. Reg. 54321, October 26, 2001, modified 66 Fed. Reg. 59599, November 29, 2001 and 66 Fed. Reg. 67349, December 28, 2001) on behalf of The Committee on Pipe and Tube Imports; Allied Tube & Conduit Corporation; American Cast Iron Pipe Company, American Steel Pipe Division; Anvil International, Inc.; Bitrek Corporation, a division of Anvil International, Inc.; Capitol Manufacturing Company; Century Tube Corporation; Hannibal Industries, Inc.; IPSCO Tubulars Inc.; Leavitt Tube Company, Inc.; LTV Copperweld; Lone

Star Steel Company; Maverick Tube Corporation; Newport Steel Corporation, a division of the NS Group; Northwest Pipe Company; Searing Industries; Sharon Tube Company; Stupp Corporation; Tex-Tube Company; Vest Inc.; and Wheatland Tube Company, we hereby submit Comments on What Action the President Should Take Under Section 203 of the Trade Act of 1974, as Amended, With Regard to Imports of Carbon and Alloy Welded Tubular Products and Carbon and Alloy Fittings and Flanges.

Should you have any questions regarding this submission, please do not hesitate to contact the undersigned.

Respectfully submitted,

Roger B. Schagrin
SCHAGRIN ASSOCIATES
1100 Fifteenth Street, N.W.
Suite 700
Washington, DC 20005
Telephone: (202) 223-1700
Facsimile: (202) 429-2522

Counsel for The Committee on Pipe and Tube Imports; Allied Tube & Conduit Corporation; American Cast Iron Pipe Company, American Steel Pipe Division; Anvil International, Inc.; Bitrek Corporation, a division

of Anvil International, Inc.; Capitol Manufacturing Company; Century Tube Corporation; Hannibal Industries, Inc.; IPSCO Tubulars Inc.; Leavitt Tube Company, Inc.; LTV Copperweld; Lone Star Steel Company; Maverick Tube Corporation;

Newport Steel Corporation, a division of the NS Group; Northwest Pipe Company; Searing Industries; Sharon Tube Company; Stupp Corporation; Tex-Tube Company; Vest Inc.; and Wheatland Tube Company

PUBLIC DOCUMENT

SUBMITTED TO
THE TRADE POLICY STAFF COMMITTEE

PUBLIC COMMENTS ON POTENTIAL ACTION UNDER SECTION 203 OF THE TRADE ACT OF 1974 WITH REGARDS TO IMPORTS OF CERTAIN STEEL

Comments on Actions the President Should Take Under Section 203 of the Trade Act of 1974, as Amended, with Regard to Imports of Carbon and Alloy Welded Tubular Products and Carbon and Alloy Fittings and Flanges

Filed on Behalf of:

The Committee on Pipe and Tube Imports;
Allied Tube & Conduit Corporation;
American Steel Pipe Division of
American Cast Iron Pipe Company; Anvil
International, Inc.; Bitrek Corporation,
a Division of Anvil International, Inc.;
Capitol Manufacturing Company; Century
Tube Corporation; Hannibal Industries, Inc.;
IPSCO Tubulars, Inc.;
Leavitt Tube Company, Inc.; LTV Copperweld;
Lone Star Steel Company; Maverick Tube Corporation;
Newport Steel Corporation, a division of the
NS Group; Northwest Pipe Company;
Searing Industries; Sharon Tube Company;
Stupp Corporation; Tex-Tube Company;
Vest, Incorporated; and Wheatland Tube Company

By:

SCHAGRIN ASSOCIATES
1100 Fifteenth St., N.W.
Suite 700
Washington, DC 20005
(202) 223-1700

PUBLIC DOCUMENT

January 4, 2002

TABLE OF CONTENTS

TABLE OF CONTENTS (cont'd)

Index of Tables

CASE CALENDAR

Initiation Request to the ITC	June 22, 2001
Prehearing Brief to ITC	September 10, 2001
Hearing at ITC on Tubular Products	October 1, 2001
Posthearing Brief	October 9, 2001
Submission of Adjustment Plans of U.S. Industry and Producers to USTR	November 5, 2001
ITC Vote on Injury to the Domestic Industry	October 22, 2001
ITC Holds Remedy Hearing on Tubular Products	November 8, 2001
ITC Issues Remedy Opinion	December 7, 2001
ITC Submission of Written Opinion to President	December 19, 2001
Industry Meets with Trade Policy Staff Committee (TPSC)	January 7-11, 2002
Presidential Relief	February 17, 2002

EXECUTIVE SUMMARY

The domestic industry producing carbon and alloy welded tubular products (other than oil country tubular goods) and the domestic industry producing carbon and alloy fittings and flanges are vital segments of the American steel industry that provide high-quality carbon and alloy welded tubular products and fittings for the conveyance of water, petrochemicals, oil products, natural gas, and other substances in industrial piping systems, as well as for demanding mechanical and structural applications. The welded tubular products in this investigation include welded pipes used primarily for mechanical, line, pressure, and structural purposes. The fittings and flanges subject to this investigation are carbon and alloy steel products used in connecting these pipes. The U.S. International Trade Commission (the "ITC") has made affirmative determinations that recent surges in imports of both welded tubular products and carbon and alloy fittings and flanges have caused or threaten to cause serious injury to these domestic industries and has recommended the imposition of remedy measures to enable recovery by these industries and adjustment to import competition.

The U.S. Trade Policy Staff Committee (the "TPSC") should recommend that the President follow the recommendations of Commissioners Bragg and Devaney in imposing tariffs for a period of four years, beginning at rates of 30 percent on imports of welded tubular products and carbon and alloy fittings and flanges. The accelerated deterioration in industry performance that increasing imports caused at the end of the ITC's period of investigation underscores the urgency of providing the most effective relief that the Commission recommended. By contrast, the recommendation of the majority of the Commissioners for a tariff rate quota based on the historically high levels of imports in 2000 would

be inadequate to remedy the serious injury to the domestic industry because it fails to address the increasing imports that caused that injury and thus would only result in the continued deterioration of the domestic industry. In addition, the Commission majority fails to consider the interrelationship between the impact of its remedy recommendation for flat-rolled products and its recommendations for welded pipe and fittings. Under the tariff rate quota that the ITC majority recommended, domestic industry conditions would continue to worsen, and no adjustment plan efforts could be implemented for the industry to adjust to import competition and remain competitive. Therefore, the TPSC should recommend that the President provide the most effective relief that the ITC recommended by imposing tariffs for a period of four years, beginning at rates of 30 percent on imports of welded tubular products and carbon and alloy fittings and flanges.

I. THE TPSC SHOULD RECOMMEND THAT THE PRESIDENT APPLY THE TARIFF RECOMMENDED BY COMMISSIONERS BRAGG AND DEVANEY TO IMPORTS OF CARBON AND ALLOY WELDED TUBULAR PRODUCTS AND CARBON AND ALLOY FITTINGS AND FLANGES

A. Scope

1. Carbon and Alloy Welded Tubular Products

Carbon and alloy welded tubular products are produced by bending flat-rolled steel products to form a hollow product with overlapping or abutting seams. The seam may run either longitudinally or spirally along the length of the product. Welded tubular products are used in the conveyance of water, petrochemicals, oil products, natural gas, and other substances in industrial piping systems. Welded tubular products are provided for in the following Harmonized Tariff System of the United States (HTSUS) subheadings: 7305.11.1030, 7305.11.1060, 7305.11.5000, 7305.12.1030, 7305.12.1060, 7305.12.5000, 7305.19.1030, 7305.19.1060, 7305.19.5000, 7305.31.2000, 7305.31.4000, 7305.31.6000, 7305.39.1000, 7305.39.5000, 7305.90.1000, 7305.90.5000, 7306.30.1000, 7306.30.3000, 7306.30.5010, 7306.30.5015, 7306.30.5020, 7306.30.5025, 7306.30.5032, 7306.30.5035, 7306.30.5040, 7306.30.5055, 7306.30.5085, 7306.30.50.90, 7306.50.1000, 7306.50.3000, 7306.50.5010, 7306.50.5030, 7306.50.5050, 7306.50.5070, 7306.60.1000, 7306.60.3000, 7306.60.5000, 7306.60.7060, 7306.90.1000, and 7306.90.5000.

The welded tubular goods covered in this category do not include oil county tubular goods and carbon quality steel welded line pipe of an outside diameter that does not exceed 406.7 mm.[1]

2. Carbon and Alloy Fittings and Flanges

The product group of carbon fittings and flanges consists of several distinct types of products. Carbon steel flanges, forged pipe fittings, and butt-weld pipe fittings all fall within this product group. Producers of these carbon steel fittings and flange products, however, generally only produce products in one distinct segment of this group. That is, producers tend to only manufacture flanges, pipe fittings, or butt-weld pipe fittings, with no overlap among product lines due to significant manufacturing differences.

Fittings and flanges are used in pipe systems to connect the bores of two or more pipes together, or for connecting a pipe to another apparatus, or for closing the pipe aperture. The three basic grouping of products in this category include flanges, butt-weld fittings, and forged fittings. Carbon fittings and flanges are currently classified under the following HTSUS subheadings: 7307.91.50.10, 7307.91.50.30, 7307.91.50.50, 7307.91.50.70, 7307.92.30.10, 7307.92.30.30, 7307.92.90.00, 7307.99.50.15, 7307.99.50.45, 7307.99.50.60, 7307.93.30.00, 7307.93.60.00, 7307.93.90.30, and 7307.93.90.60.

B. The Record Evidence Unequivocally Supports the ITC's Determination That Increased Imports Have Caused Serious Injury to These Domestic Industries

[1] The latter product is covered by a prior section 201 relief request on line pipe. *See Circular Welded Carbon Quality Line Pipe,* Inv. No. TA-201-70, USITC Publication No. 3261 (December 1999).

The evidence contained in the record demonstrates the serious injury that increasing volumes of imports caused to the domestic industry. The following sections review the circumstances of the increased imports and the severity of the serious injury to these domestic industries.

1. Imports of Carbon and Alloy Welded Tubular Products and Carbon and Alloy Fittings and Flanges Have Increased and Have Taken a Dramatically Higher Share of the U.S. Market

Imports of both carbon and alloy welded tubular products and carbon and alloy fittings increased from 1996 through the first half of 2001. Table 1 shows that imports of carbon and alloy welded tubular products increased from 1,572,792 tons in 1996 to 2,627,208 tons in 2000.[2] This represents an increase of 67.0 percent. The ratio of imports to domestic production rose from 16.9 percent in 1996 to 29.7 percent in 2000, a significant increase.[3] Table 2 shows that imports of carbon and alloy fittings and flanges surged from 103,507 tons in 1996 to 135,399 in 2000.[4] This represents an increase of 32.1 percent. The ratio of imports to domestic production rose from 50.5 percent in 1996 to 69.7 percent in 2000, a significant increase.[5]

---

[2] *See* Table 1 (U.S. Imports).

[3] *See* Table 1 (Ratio of Imports to Domestic Production). The statute directs the ITC to consider increased imports in actual terms and as a percentage of domestic production. 19 U.S.C. § 2252(c)(1)(C).

[4] *See* Table 2 (U.S. Imports).

[5] *See* Table 2 (Ratio of Imports to Domestic Production). The statute directs the ITC to consider increased imports in actual terms and as a percentage of domestic production. 19 U.S.C. § 2252(c)(1)(C).

Imports of both carbon and alloy welded tubular products and carbon and alloy fittings have also dramatically increased their penetration of the domestic market at the expense of the competing domestic industries. Imports of carbon and alloy tubular products increased their domestic market share from 26.2 percent in 1996 to 36.7 percent in 2000 and 36.8 percent in interim 2001.[6] Imports of carbon and alloy fittings increased their domestic market share from 35.0 percent in 1996 to 41.7 percent in 2000 and to 46.7 percent in interim 2001.[7] These increasing market share gains by imports were especially significant in light of the increases in demand that occurred during the same period: from 1996 to 2000, consumption of carbon and alloy welded tubular products increased by 19.3 percent, from 6.0 million tons in 1996 to 7.2 million tons in 2000, and consumption of carbon and alloy fittings increased by 9.7 percent, from 295,929 tons in 1996 to 324,712 tons in 2000.[8] The inability of the domestic carbon and alloy welded tubular products industry and the domestic carbon and alloy fittings industry to benefit from the increased demand was directly caused by the increase in low-priced imports.

2. The Unprecedented Surge of Low-Priced Imports Has Had a Devastating Impact on Domestic Producers

During the period of increased imports, the domestic carbon and alloy welded tubular products industry suffered serious financial injury. The Commission's record in the section 201 investigation

---

[6] *See* Table 1 (Importers' Share of U.S. Consumption).

[7] *See* Table 2 (Importers' Share of U.S. Consumption).

[8] *See* Table 1 (U.S. Consumption) and Table 2 (U.S. Consumption).

showed sharp declines in domestic industry capacity utilization, market share, and financial performance, even as increasing competition from imports caused domestic industry inventories to increase.

a. Idling of Production Facilities

The domestic welded tubular products industry and the domestic fittings and flanges industry have suffered from serious declines in capacity utilization that coincided with increases in low-priced imports. As shown in Table 1, capacity utilization for the domestic welded tubular products industry dropped precipitously from 66.7 percent in 1996 to 56.2 percent in 2000 and to 53.2 percent in the first six months of 2001.[9] The overall decline in capacity utilization was so steep that capacity utilization would have declined despite the increase in capacity that occurred. As capacity utilization declined, domestic industry market share also declined, from 73.8 percent in 1996 to 63.3 percent in 2000 and to 63.2 percent during the first six months of 2001.[10]

Furthermore, the overall increase in capacity occurred while several mills were in the process of shutting down and eliminating capacity from the domestic industry. Laclede Steel Company, which previously operated pipe mills in Alton, Illinois and Fairless Hills, Pennsylvania, with welded pipe capacity in excess of 500,000 tons and melted steel capacity of 900,000 tons, ceased operations through Chapter 7 in September 2001.[11] In a Chapter 7 auction, none of the pipe or steel facilities were purchased. David Higbee, President and CEO of Laclede, explained that "foreign imports of standard pipe into the U.S. market, which increased by over 51 percent last year, grew to even higher levels in the current year. Foreign imports now account for about 60 percent of the U.S. standard pipe

---

[9] *See* Table 1 (Domestic Producers' Capacity Utilization).

[10] *See* Table 1 (Domestic Producers' Share of U.S. Consumption).

[11] *See Steel*, USITC Pub. 3479, Inv. No. TA-201-73 (December 2001) ("ITC Report") at 161.

market in our size range. The impact of these imports on our order volume has been devastating."[12] Excalibur Holdings, with five welded pipe and tube mills in Alabama, Indiana, and West Virginia, and estimated capacity of 162,000 metric tonnes, ceased operations in October 2001.[13] Pacific Tube, of Los Angeles, California, ceased operations in October 2001. Its estimated capacity was 48,000 metric tonnes.[14] Finally, Vision Metals, primarily a major seamless pipe producer, but with one weld mill in Rosenberg, Texas with an estimated capacity of 65,000 metric tonnes, is scheduled to cease operations and liquidate under Chapter 7.[15]

For the domestic carbon fittings and flanges industry, capacity utilization declined from 76.3 percent in 1996 to 67.4 percent in 2000 and to 65.2 percent during the first six months of 2001.[16]

b. Operating Losses

In 1996, the domestic welded tubular products industry experienced a healthy operating income of $241 million.[17] By 2000, however, the surge in imports had taken its toll, and the industry's overall operating income plummeted to $118 million, a 50.9 percent decline.[18] In both 1999 and 2000,

---

[12] "Seven Months On, Laclede Falls Back Into Chapter 11," *Metal Bulletin* (August 2, 2001) at 3.

[13] *See Pipe and Tube Mills of the World*, 3rd Ed. (2001).

[14] *See id.*

[15] *See id.*

[16] *See* Table 2 (Domestic Producers' Capacity Utilization).

[17] *See* Table 3 (Domestic Producers' Operating Income).

[18] *See id.*

12 of 32 reporting domestic welded tubular producers reported operating losses, as compared to only 3 of 31 producers in 1996.[19] From the first half of 2000 to the first half of 2001, operating income declined by 37.2 percent, from $69 million to $43 million.[20]

Much more dramatically, operating income for the domestic industry producing carbon and alloy fittings and flanges declined from a profit of $37.3 million in 1996 to an operating *loss* of $216,000 in 2000.[21] The industry recovered to profitability during the first six months of 2001, but still only earned profits of $7.0 million during the period, which remained dramatically lower than its pre-surge levels.[22]

Declining average unit values for imports of welded tubular products during the period of investigation translated into steep price declines for domestic shipments. Average unit values of imports during this period fell by 9.4 percent, from $571 in 1996 to $517 in 2000, and then to $508 during the first six months of 2001.[23] Consequently, average unit values of domestic shipments declined from $606 in 1996 to $589 in 2000, but then plummeted to only $545 during the first six months of 2001, a 7.7 percent decline from the year earlier period.[24]

---

[19] *See* ITC Report at TUBULAR-22.

[20] *See id.*

[21] *See* Table 4 (Domestic Producers' Operating Income).

[22] *See id.*

[23] *See* Table 3 (Average Unit Values of U.S. Imports).

[24] *See* Table 3 (Average Unit Values of Domestic Producers' U.S. Shipments).

On a per ton basis, the domestic welded tubular products industry's operating results declined by an astounding $29 per ton between 1996 and 2000, from operating profits of $54 per ton in 1996 to operating profits of only $25 per ton in 2000.[25] Unit operating income declined to only $18 per ton in the first half of 2001, when average unit values declined even further to $508.[26] For the domestic industry producing carbon and alloy fittings and flanges, unit operating income declined from a profit of $167 per short ton in 1996 to a *loss* of $7 per short ton in 2000.[27]

3. The ITC's Record Established an Imminent Threat of Further Serious Injury to the Domestic Welded Tubular Products Industry

The ITC's record demonstrates that, in the absence of meaningful relief from imports, the domestic industry will continue to experience injury. Indeed, the industry's very survival is at stake.

In particular, the ITC report contains the following facts supporting its partial finding of threat:

- Dramatically increasing imports, both in absolute terms and as a percentage of domestic consumption.[28]
- Foreign producers are heavily dependent on export markets, and significant excess production capacity for welded tubular products exists in foreign countries that have targeted the United States, particularly China and Korea.[29]

---

[25] *See* Table 3 (Domestic Producers' Unit Operating Income).

[26] *See id.*

[27] *See* Table 4 (Domestic Producers' Unit Operating Income).

[28] *See* Table 1.

[29] *See* ITC Report at 164-165.

- Surging imports have resulted in huge inventory overhangs existing among domestic producers.[30]

No industry can sell at a price below the cost of production and continue to operate for long. The relief recommended by the ITC is urgently needed to prevent the imminent threat to the continued operation of these important American industries and their workers.

II. THE TARIFF REMEDIES PROPOSED BY COMMISSIONERS BRAGG AND DEVANEY ARE THE ABSOLUTE MINIMUM RELIEF NECESSARY TO ALLOW THESE DOMESTIC INDUSTRIES TO RECOVER FROM SERIOUS INJURY AND TO ACCOMPLISH ADJUSTMENT PLANS

The TPSC should recommend to the President that he implement the remedy recommendations of Commissioners Devaney and Bragg, who recommended that tariffs of 30 percent be applied both to imports of carbon and alloy welded tubular products and to imports of carbon and alloy fittings.[31]

---

[30] *See* Table 3; *see also* ITC Report at 162 ("U.S. Producer inventories increased between 1996 and 2000 and were at their highest level in 2000, the last full year of the period examined. U.S. Producer inventories were 3.2 percent higher in interim 2001 than in the same period of 2000. The ratio of U.S. producer inventories to shipments was also at its highest level of the period examined in 2000, and was higher in interim 2001 than in the same period of 2000.").

[31] While the domestic producers represented here requested the maximum 50 percent tariffs for a period of four years on imports of carbon and alloy welded tubular products and carbon and alloy fittings, the Commission issued separate remedy recommendations regarding both welded carbon and alloy tubular products and carbon and alloy fittings. For welded carbon and alloy tubular products, the recommendations made by the majority of Commissioners were much weaker the recommendations of Commissioners Bragg and Devaney, and only recommended tariff-rate quotas based on 2000 import levels, which were historically the highest ever levels of imports, and tariffs for the above quota amount of 20 percent, decreasing to 17 percent, 14 percent, and 11 percent over the subsequent years. Also, for carbon and alloy fittings and flanges, the recommendations made by the majority of Commissioners were again much weaker, and only recommended a tariff of 13 percent, decreasing to 10 percent, 7 percent, and 4 percent over the subsequent years.

These tariffs would decrease to 28 percent the second year, 26 percent the third year, and 21 percent for the fourth year of relief. The tariff remedies recommended by Commissioners Bragg and Devaney would effectively address the serious injury that imports have caused to the domestic industry and would ensure that these domestic industries could regain some of the pricing declines and market share losses that imports have seized over the past few years.

It also is imperative that any remedy imposed on imports of welded pipe and tube must consider the potential for product shifting and the negative competitive impact on the domestic industry that will result if the remedy is not sufficiently strong. As the Commission acknowledged, "hot-rolled coil and plate are the primary inputs for welded pipe products and imposing significantly different remedies on the two products could result in market disruption by encouraging product shifting."[32] The potential for a remedy to cause market disruption has been demonstrated by the remedy imposed in the Line Pipe 201 investigation, which caused Korean pipe producers to shift from producing line pipe that was subject to a 19 percent tariff to instead producing non-subject standard pipe and increasing exports of standard pipe to the United States.[33] If the President were to now impose a lower remedy on welded pipe products than on flat-rolled products, then overseas producers would similarly divert hot-rolled sheet and plate to rolling mills for further processing into welded pipe for export to the United

---

[32] ITC Report at 384.

[33] Within four months after the 201 line pipe remedy went into effect, in June 2000, or approximately the lead time for ordering, producing, and shipping pipe from Korea, standard pipe imports from Korea surged to 41,040 tons, an all-time monthly record. *See* Exhibit 1. *See also Certain Circular Welded Carbon Quality Line Pipe: Monitoring Developments in the Domestic Industry*, USITC Pub. 3450, Inv. No. TA-204-5 (September 2001) at D-2.

States under the lower tariffs. Furthermore, given the massive overseas capacity to produce welded pipe, foreign producers would likely choose to absorb tariffs as low as the 20 percent rate that the Commission majority have recommended for over-quota imports. Hence, under the majority's recommendation, foreign producers would continue to export to the U.S. market in significant volumes and with pronounced negative effects on prices and volume for the U.S. industry. Therefore, the TPSC should recommend that the President impose the most effective tariff relief contemplated to prevent such product shifting or tariff absorption that would grant a gross competitive advantage to overseas mills.

A. The Imminence of Serious Injury to These Domestic Industries in 2000 and 2001 Necessitates the Imposition of Strong Relief

The accelerated deterioration in industry performance that increasing imports caused at the end of the ITC's period of investigation underscores the urgency of providing the most effective relief that the Commission recommended. Although U.S. consumption levels had increased 19.3 percent from 6.0 million tons in 1996 to 7.2 million tons in 2000, the domestic carbon and alloy welded tubular products industry was unable to benefit from the increased demand because low-priced imports had also dramatically increased their penetration of the domestic market, from 26.2 percent in 1996 to 36.7 percent in 2000.[34] Consequently, in year 2000, market share levels for the domestic welded pipe industry were 8.6 percent below the 1996 level, sales revenues were down 1.3 percent, and operating

[34] *See* Table 1.

income was down by 50.9 percent.[35] Furthermore, continued declines in these indicators during the first half of 2001 portended the worsening of the domestic industry's condition during the second half of 2001, as evidenced by sworn testimony of industry representatives during the ITC's investigation stating that minuscule profits from the first half of 2001 had turned into losses by the second half of 2001. The Commission also acknowledged the worsening situation in noting that, due to the recession, 2002 demand levels would likely be 15-20 percent below 2001.[36] Thus, the industry, while already seriously injured through the first half of 2001, is confronting worsening conditions through the second half of 2001 and into 2002.

B. An Effective Remedy Must Address the Increased Imports That Are the Cause of Injury to These Domestic Industries

The recommendation of the majority of the Commissioners for a tariff rate quota will lead to the continued deterioration of the welded pipe and tube industry because it would not stem the causes of that injury, namely increasing low priced imports. Incredibly, the Commission's majority recommends a tariff rate quota based on the level of imports in 2000, which, as the Commission recognized, "exceeds the amount that entered in any previous year of the period of investigation."[37] Furthermore, in evaluating the effect of such a remedy, the Commission stated that it would "initially leave the market

---

[35] *See id.*

[36] *See* ITC Report at 380.

[37] *Id.* at 386.

share, sales revenue, and profitability of the industry unchanged."[38] Thus, the majority's remedy recommendation would be inadequate to remedy the serious injury to the domestic industry because it fails to address the increasing imports that caused that injury and thus would not lead to improvement in the condition of the domestic industry.

C. The Remedy Must Consider the Interrelationship Between the Flat-Rolled and Welded Tubular Products Industries

In addition, the Commission majority fails to consider the interrelationship between the impact of its remedy recommendation for flat-rolled products and its recommendations for welded pipe and fittings. The imposition of tariffs on all flat-rolled imports for welded pipe and tube of at least a 20 percent recommended tariff level, when combined with an even higher import penetration for pipe and tube at lower prices, will inevitably lead to lower market share and sales revenue and to increased losses, plant closures, and job losses. The majority's remedy will also not benefit the flat-rolled industry, because it will result in lower levels of domestic pipe and tube production, which otherwise could be expected to provide a stable source of demand for domestic flat products. The Commission recommendation also recognizes that the tariff is set low enough to allow over-quota imports.[39] Nevertheless, the Commission failed to recognize, that many foreign producers, *e.g.*, Japanese, Koreans, Thai, and European producers, act as their own importers and can therefore amortize the over-quota tariff over their entire volume of imports. These importers would therefore not be inhibited

---

[38] *Id.*

[39] *See* ITC Report at 386.

in their ability to continue importing low-priced imports of welded carbon and alloy pipe and fittings. Thus, under a tariff rate quota, domestic industry conditions will continue to worsen, and no measures could be implemented for the industry to adjust to import competition and remain competitive.

The tariffs recommended by Commissioners Bragg and Devaney are the absolute minimum relief required to allow these industries to recover from the serious injury it has suffered at the hands of a sudden dramatic influx of low-priced imports. The recommendations of the other four Commissioners are weaker measures that would not provide effective relief in light of future price increases in domestic raw material costs brought about by relief for other steel products from this investigation. Conversely, overseas producers of welded tubular products will continue to benefit from raw material prices from flat-rolled products such as hot-rolled sheet that are priced at record low levels on the world market, which will lead to even greater disparities in pricing between low-priced imports and fairly priced domestic production.[40] Therefore, only a tariff remedy, and not a tariff-rate

[40] In its recent preliminary determination of sales at less than fair value for standard pipe from China, the Department found zero dumping margins using market prices for hot-rolled sheet inputs for the two standard pipe producers in China who purchased hot-rolled sheet from market economies. Given the fact that pipe imports from China were the price leaders in the U.S. market, this illustrates how ridiculously low prices leaders for hot-rolled are in Asia and the susceptibility of the pipe and tube industry to further serious injury under a tariff rate quota. *See Certain Circular Welded Carbon-Quality Steel Pipe from the People's Republic of China,*

quota, will provide effective relief against the further imminent serious injury that would be caused by surging low-priced imports. Thus, the TPSC should recommend that the President follow the recommendations of Commissioners Bragg and Devaney in imposing tariffs for a period of four years, beginning at rates of 30 percent on imports of welded tubular products and carbon and alloy fittings.

D. The Remedy Must Enable the Domestic Industries to Implement Efforts to Adjust to Import Competition and Remain Competitive

With appropriate relief, the domestic carbon and alloy welded tubular products industry and the carbon and alloy fittings and flange industry will be able to implement viable adjustment plans that will make the industry more competitive with imports at the expiration of the remedy period. The producers of carbon and alloy welded tubular products represented here possess adjustment plans which reflect the intention to invest more than $200 million to increase competitiveness over a four year period of relief. The producers of carbon fittings and flanges represented here possess adjustment plans which reflect the intention to invest a combined $12.8 million to $14.8 million over a four year period. Although the planned specific actions vary by producer and the details are confidential, collectively these producers commit to further modernization of equipment for more efficient production, including implementing technological advances and automation.

CONCLUSION

In conclusion, only a tariff remedy, and not a tariff-rate quota, will provide effective relief against the further imminent serious injury that would be caused by surging low-priced imports

---

66 Fed. Reg. 67,500 (Dep't Commerce 2001) (notice of preliminary determination of sales at less than fair value).

manufactured from flat-rolled products that are priced at record low levels on the world market. The majority Commission recommendation of a tariff rate quota at the highest import levels in history will decimate the industry when it is combined with a stringent tariff on flat-rolled steel, which represents 70-75 percent of the cost of welded pipe production. For the Administration that requested initiation of the 201 investigation with the purpose of helping the industry to recover and adjust to import competition, imposition of such a remedy would be unconscionable. Instead, only the remedy recommendation of Commissioners Bragg and Devaney recognized that the remedy recommendations on flat-rolled would have an impact on pipe and tube producers, and that it would be imperative to apply a similar tariff remedy for pipe and tube to both remedy the serious injury they found and prevent further serious injury to that industry. Therefore, the TPSC should recommend that the President follow the recommendations of Commissioners Bragg and Devaney in imposing tariffs for a period of four years, beginning at rates of 30 percent on imports of welded tubular products and carbon and alloy fittings and flanges.

Respectfully submitted,

Roger B. Schagrin
SCHAGRIN ASSOCIATES
1100 Fifteenth Street, N.W.
Suite 700
Washington, DC 20005
Telephone: (202) 223-1700
Facsimile: (202) 429-2522

Counsel for The Committee on Pipe and Tube Imports; Allied Tube & Conduit Corporation; American Cast Iron Pipe Company, American Steel Pipe Division; Anvil International, Inc.; Bitrek Corporation, a division of Anvil International, Inc.; Capitol Manufacturing Company; Century Tube Corporation; Hannibal Industries, Inc.; IPSCO Tubulars Inc.; Leavitt Tube Company, Inc.; LTV Copperweld; Lone Star Steel Company; Maverick Tube Corporation; Newport Steel Corporation, a division of the NS Group; Northwest Pipe Company; Searing Industries; Sharon Tube Company; Stupp Corporation; Tex-Tube Company; Vest Inc.;

and Wheatland Tube Company

Table 1
Welded Carbon and Alloy Tubular Products:
U.S. Consumption, Domestic Industry Production and Shipments, and Import Market Penetration
(Quantity = short tons)

	1996	1997	1998	1999	2000	Jan.-Jun. 2000	Jan.-Jun. 2001
U.S. Consumption Quantity	6,007,968	6,494,375	7,140,842	7,111,385	7,167,421	3,835,694	3,841,952
Domestic Producers' Average Capacity Quantity	6,863,777	7,037,321	7,536,117	8,023,662	8,375,401	4,670,135	4,691,234
Domestic Producers' Production Quantity	4,646,857	5,126,966	5,396,900	5,191,023	4,779,405	2,530,686	2,526,070
Domestic Producers' Capacity Utilization	66.7%	71.9%	70.7%	63.8%	56.2%	53.4%	53.2%
Domestic Producers' U.S. Shipments	4,435,176	4,630,412	4,879,370	4,995,550	4,540,213	2,398,488	2,429,456
Domestic Producers' Share of U.S. Consumption	73.8%	71.3%	68.3%	70.2%	63.3%	62.5%	63.2%
U.S. Imports (All Sources)	1,572,792	1,863,963	2,261,472	2,115,835	2,627,206	1,437,206	1,412,496
Importers' Share Of U.S. Consumption (All Sources)	26.2%	28.7%	31.7%	29.8%	36.7%	37.5%	36.8%
Ratio of Imports to U.S. Production	33.8%	36.4%	41.9%	40.8%	55.0%	56.8%	55.9%

Source: *Steel*, USITC Pub. 3479, Inv. No. TA-201-73 (December 2001) at TUBULAR-C-4, Table TUBULAR-C-4

Table 2
Carbon and Alloy Fittings:
U.S. Consumption, Domestic Industry Production and Shipments, and Import Market Penetration
(Quantity = short tons)

	1996	1997	1998	1999	2000	Jan.-Jun. 2000	Jan.-Jun. 2001
U.S. Consumption Quantity (Short Tons)	295,929	319,785	329,472	311,352	324,712	157,872	174,334
Domestic Producers' Average Capacity Quantity	268,170	296,105	298,347	303,797	288,054	147,294	140,510
Domestic Producers' Production Quantity	204,972	220,881	211,648	186,490	194,175	103,707	91,669
Domestic Producers' Capacity Utilization	76.3%	74.1%	70.9%	61.4%	67.4%	70.4%	65.2%
Domestic Producers' U.S. Shipments	192,422	214,472	212,379	193,890	189,313	96,284	92,954
Domestic Producers' Share of U.S. Consumption	65.0%	67.1%	64.5%	62.3%	58.3%	61.0%	53.3%
U.S. Imports (All Sources)	103,507	105,313	117,093	117,461	135,399	61,588	81,380
Importers' Share Of U.S. Consumption (All Sources)	35.0%	32.9%	35.5%	37.7%	41.7%	39.0%	46.7%
Ratio of Imports to U.S. Production	50.5%	47.7%	55.3%	63.0%	69.7%	59.4%	88.8%

Source: *Steel*, USITC Pub. 3479, Inv. No. TA-201-73 (December 2001) at TUBULAR-C-6, Table TUBULAR-C-6.

Table 3
Welded Carbon and Alloy Tubular Products:
U.S. Imports, Domestic Producers' U.S. Shipments, and Domestic Producers' Operating Results
(Quantity = short tons, value = $1,000, and unit values are per short ton)

	1996	1997	1998	1999	2000	Jan.-Jun. 2000	Jan.-Jun. 2001
U.S. Imports (from All Sources)							
Quantity	1,572,792	1,863,963	2,261,472	2,115,835	2,627,208	1,437,206	1,412,496
Value	$897,369	$1,062,238	$1,276,821	$1,065,019	$1,358,521	$742,937	$717,483
Unit Value	$571	$570	$565	$503	$517	$517	$508
Domestic Producers' U.S. Shipments							
Quantity	4,435,176	4,630,412	4,879,370	4,995,550	4,540,213	2,398,488	2,429,456
Value	$2,687,795	$2,876,791	$3,036,953	$2,944,649	$2,676,376	$1,415,067	$1,323,181
Unit Value	$606	$621	$622	$588	$589	$590	$545
Domestic Producers' Ending Inventory Quantity	678,744	726,153	778,333	778,785	790,173	788,609	814,006
Domestic Producers' Operating income or (loss)	$241,046	$269,223	$276,282	$246,626	$118,464	$68,874	$43,288
Domestic Producers' Unit Operating Income or (loss)	$54	$55	$54	$49	$25	$28	$18

Source: *Steel*, USITC Pub. 3479, Inv. No. TA-201-73 (December 2001) at TUBULAR-C-4, Table TUBULAR-C-4.

Table 4
Carbon and Alloy Fittings:
U.S. Imports, Domestic Producers' U.S. Shipments, and Domestic Producers' Operating Results
(Quantity = short tons, value = $1,000, and unit values are per short ton)

	1996	1997	1998	1999	2000	Jan.-Jun. 2000	Jan.-Jun. 2001
U.S. Imports (from All Sources)							
Quantity	103,507	105,313	117,093	117,461	135,399	61,588	81,380
Value	$211,010	$227,091	$265,886	$258,215	$307,939	$144,743	$182,312
Unit Value	$2,039	$2,156	$2,271	$2,196	$2,274	$2,350	$2,065
Domestic Producers' U.S. Shipments							
Quantity	192,422	214,472	212,379	193,890	189,313	96,284	92,954
Value	$387,166	$425,261	$424,512	$382,713	$368,047	$202,200	$189,430
Unit Value	$2,012	$1,983	$1,999	$1,974	$1,944	$2,100	$2,038
Domestic Producers' Ending Inventory Quantity	61,311	65,715	62,779	56,567	60,315	64,524	57,922
Domestic Producers' Operating income or (loss)	$37,322	$35,029	$20,590	$9,156	($216)	$3,170	$7,003
Domestic Producers' Unit Operating Income or (loss)	$167	$148	$85	$39	($7)	$26	$69

Source: *Steel*, USITC Pub. 3479, Inv. No. TA-201-73 (December 2001) at TUBULAR-C-6, Table TUBULAR-C-6.